



Archived at the Flinders Academic Commons:
<http://hdl.handle.net/2328/27231>

This is a scan of a document number DUN/Speeches/1930
in the Dunstan Collection, Special Collections, Flinders University Library.
<http://www.flinders.edu.au/library/info/collections/special/dunstan/>

Title:

Speech at American Chamber of Commerce Luncheon - The Petroleum Industry in
Australia

Please acknowledge the source as:
Dunstan Collection, Flinders University Library.
Identifier: DUN/Speeches/1930

© Copyright Estate Donald Allan Dunstan

1930/37

SPEECH BY THE PREMIER, MR. DUNSTAN, AT AMERICAN CHAMBER
OF COMMERCE LUNCHEON - SEPTEMBER 8, 1972.
THE PETROLEUM INDUSTRY IN AUSTRALIA.

MR. CHAIRMAN, LADIES AND GENTLEMEN:

I WAS DELIGHTED WHEN YOUR CHAIRMAN ASKED ME TO SPEAK ON THE AUSTRALIAN OIL AND PETROLEUM INDUSTRY AS IT IS A TOPIC WHICH HAS TREMENDOUS IMPORTANCE TO THIS STATE AS WELL, OF COURSE, TO THE NATION AS A WHOLE. IT IS ALSO AN APPROPRIATE SUBJECT FOR ME, AS MINES MINISTER, TO DISCUSS IN THE PRESENCE OF OUR UNITED STATES FRIENDS OF THE AMERICAN CHAMBER BECAUSE OF THE MAJOR CONTRIBUTION WHICH THEY HAVE MADE AND ARE STILL MAKING TO THE INDUSTRY IN THIS COUNTRY.

PERHAPS I CAN BEGIN BY REMINDING YOU OF A LITTLE RECENT HISTORY. UNTIL 1953 WHEN THE ABORTIVE ROUGH RANGE DISCOVERY WAS MADE IN WESTERN AUSTRALIA, THERE WAS VERY LITTLE INTEREST

2.

IN PETROLEUM EXPLORATION IN THIS COUNTRY, AND THERE WERE MANY WHO BELIEVED THAT THERE WAS NO CHANCE OF A DISCOVERY. AS LATE AS TEN YEARS AGO AUSTRALIA HAD NO INDIGENOUS PETROLEUM PRODUCTION - OIL OR NATURAL GAS, AND YET OUR DEMAND FOR PETROLEUM AND PETROLEUM PRODUCTS WAS RISING INEXORABLY.

TODAY WE ARE PRODUCING 120 MILLION BARRELS OF OIL ANNUALLY WITHIN AUSTRALIA AND 92,000 MILLION CUBIC FEET OF GAS. THE OIL PRODUCTION REPRESENTS 70 PER CENT OF OUR TOTAL REQUIREMENTS AND THIS PROPORTION IS RISING STEADILY. NATURAL GAS IS NOW SERVING BRISBANE, MELBOURNE, ADELAIDE AND PERTH AND IS SCHEDULED TO SERVE SYDNEY.

IT IS OF INTEREST TO PLACE PRESENT USAGE AND SHORT TERM FUTURE DEMAND AGAINST PRESENTLY KNOWN INDIGENOUS RESERVES.

IN THE CASE OF OIL RESERVES IN ALL CATEGORIES (EXCLUDING THE NORTH WEST SHELF) AMOUNT TO PERHAPS 2,000 MILLION BARRELS AND NATURAL GAS RESERVES (AGAIN EXCLUDING NORTH WEST SHELF) AMOUNT TO SOME 14 TRILLION CUBIC FEET. SIMPLE ARITHMETIC SHOWS THAT ON PRESENT CONSUMPTION RATES WE HAVE ONLY FIFTEEN YEARS SUPPLY OF OIL LEFT, AND IF THE PRESENT GROWTH IN DEMAND CONTINUES AND INDIGENOUS OIL PRODUCTION CONTINUES TO INCREASE THE COMPLETION POINT COMES WITHIN A DECADE SO FAR AS AUSTRALIAN SOURCES OF OIL ARE CONCERNED.

IN THE CASE OF NATURAL GAS THE PICTURE IS A LITTLE MORE CHEERFUL, ALTHOUGH MUCH OF THE PROVEN GAS IS REMOTE FROM POINTS OF MAJOR CONSUMPTION. LEAVING ASIDE THE RESERVES AT MUREENI AND PALM VALLEY AND THOSE WHICH ARE BEING DISCOVERED ON THE NORTH WEST SHELF, BUT BRINGING INTO RECKONING THE DEMANDS OF THE SYDNEY MARKET, WE CAN SAY WITH

CONFIDENCE THAT OUR NATURAL GAS SUPPLIES ARE SECURE FOR AT LEAST SOME THIRTY YEARS. THE ADDITIONAL BACK UP OF THOSE MORE REMOTE SUPPLIES SUGGESTS THAT THE NATURAL GAS ASPECTS OF ENERGY SUPPLY WILL NOT BE A PROBLEM IN THIS COUNTRY BEFORE THE TURN OF THE CENTURY.

FIGURES SUCH AS THESE WHICH INVOLVE VAST VOLUMES MEASURED IN TRILLIONS AND BILLIONS LEAVE US A LITTLE UNIMPRESSED AS TO THEIR SIGNIFICANCE. IT MAY HELP TO NOTE CURRENT UNITED STATES EXPERIENCE WHERE LOCAL PRODUCTION IS ALREADY RUNNING WAY BEHIND REQUIREMENTS, AND WHERE THE NECESSITY FOR OVERSEAS IMPORTS IS STEADILY INCREASING. THIS EXPERIENCE CARRIES WITH IT OVERTONES OF RISING PRICES AND LOSS OF CONTROL OVER VITAL RESOURCES AND NEEDS, AND IN MANY PARTS OF THE UNITED STATES THERE ARE PROSPECTS OF COLD WINTERS AHEAD. WE HAVE JUST EXPERIENCED IN AUSTRALIA IN A RELATIVELY MINOR WAY THE IMPACT OF AN OIL SHORTAGE, ONE DOESN'T NEED TO BE A CLAIRVOYANT TO SEE THIS AS A PROSPECTIVE REGULAR RECURRENT EXPERIENCE TEN YEARS FROM NOW.

BEFORE ADDRESSING MYSELF FURTHER TO THE PROBLEM OF PETROLEUM RESOURCES, IT IS OF INTEREST TO LOOK AT THE WHOLE ENERGY PROBLEM IN AUSTRALIA. IN A PAPER AT THE ANZAS CONFERENCE LAST MONTH SOME OFFICERS OF THE AUSTRALIAN ATOMIC COMMISSION PRESENTED INTERESTING FIGURES. THEY CALCULATED ALL KNOWN PETROLEUM SOURCES OF ENERGY IN TERMS OF BLACK COAL EQUIVALENT, AND THESE ARE THEIR FIGURES:

BLACK COAL (NON COKING)	5,000 MILLION TONS
BROWN COAL (BLACK COAL EQUIVALENT)	3,900 MILLION TONS
OIL " " "	360 MILLION TONS
NATURAL GAS " " "	5,200 MILLION TONS
URANIUM " " "	142,000 MILLION TONS

THREE THINGS STAND OUT:

- OUR BLACK COAL RESOURCES ARE VAST INDEED. WITH PRESENT CONSUMPTION IN AUSTRALIA AT ROUGHLY 20 MILLION TONS A YEAR,

6.

WE HAVE COAL ENOUGH FOR A COUPLE OF CENTURIES FOR POWER GENERATION PURPOSES, EVAN ALLOWING FOR EXPONENTIAL GROWTH.

- OUR RESOURCES IN TERMS OF NUCLEAR ENERGY ARE OF A DIFFERENT ORDER OF MAGNITUDE, SOME THIRTY TIMES THAT OF OUR NON COKING COALS.
- OUR PRESENTLY KNOWN OIL RESOURCES ARE INDEED INSIGNIFICANT.

IN TERMS OF ITS TOTAL ENERGY NEEDS THEN, AUSTRALIA IS IN A FORTUNATE POSITION. AT THIS PRESENT TIME WE HAVE AN OPPORTUNITY FOR DETERMINING A LONG RANGE POLICY IN ENERGY USAGE, HAVING IN MIND ALL ASPECTS OF COMMUNITY INTEREST.

HOWEVER, AT THE PRESENT STAGE OF TECHNOLOGICAL DEVELOPMENT OUR DEPENDENCE ON PETROLEUM IS A FRIGHTENING PHENOMENON AND I NOW RETURN TO THIS MATTER. IT IS OBVIOUS TO ALL THINKING PEOPLE

THAT ON A GLOBAL SCALE, AND EVEN MORE SO AT LOCAL LEVELS, PETROLEUM CONSUMPTION IS EXPANDING AT A COMPLETELY UNACCEPTABLE RATE - THERE SIMPLY MUST BE A REASONABLE BRAKE APPLIED. SUCH A BRAKE WILL NOT, OF COURSE, HAVE ANY IMMEDIATE EFFECT, AND THE MOST OPTIMISTIC EXPECTATION IS PERHAPS THAT WE CAN HOLD CONSUMPTION AT SOMETHING NEAR PRESENT RATES. THE SORT OF BRAKES WHICH COULD BE CONSIDERED ARE MEASURES TO DISCOURAGE PRIVATE TRANSPORT - ALWAYS UNPOPULAR - ALTERNATIVE MEASURES TO POPULARISE PUBLIC TRANSPORT, LIMITATIONS ON HORSEPOWER RATES OF VEHICLES, ENCOURAGEMENT ON THE USE OF ALTERNATIVE FUELS BY TAX INCENTIVES - NOT, I MIGHT ADD, TAXING ALTERNATIVE FUELS. THE SECOND REQUIREMENT IS THAT THERE MUST BE A VASTLY ACCELERATED EFFORT MADE TO DISCOVER MORE PETROLEUM, IF ONLY TO GIVE US A BREATHING SPACE UNTIL TECHNOLOGY CAN EXTRACT US FROM THIS UNHEALTHY OVER-DEPENDENCE.

THE OIL INDUSTRY ITSELF HAS REPEATEDLY PRESSED A CASE FOR INCREASED EXPLORATION INCENTIVES. IT FEELS, WITH SOME JUSTIFICATION, THAT EXPLORATION PROBLEMS ARE MISUNDERSTOOD BY GOVERNMENTS AND BY THE PUBLIC. ALL THE PUBLIC SEES OR READS ABOUT ARE THE APPARENTLY HIGHLY PROFITABLE INTERNATIONAL CORPORATIONS PUMPING EASY WEALTH OUT OF THE GROUND. IT MAY BE TRUE THAT ONCE A SUBSTANTIAL OIL RESERVE IS DISCOVERED THERE ARE PROFITS TO BE MADE. THE AMOUNT OF THESE PROFITS HOWEVER DEPEND ON THE LOGISTICS OF THE DISCOVERY, INCLUDING THE COST OF EXPLORATION AND THE EVEN GREATER COST OF DEVELOPMENT. THESE COSTS ARE SO HIGH THAT ONLY LARGE OIL POOLS CAN IN THE NORMAL CASE BE EXPLOITED. THE OIL DISCOVERY IS ALWAYS PRECEDED BY YEARS OF HIGH RISK EXPLORATION - MULTI MILLION DOLLAR EXPLORATION. MOST OF THIS EXPENDITURE IS LOST. EVEN IN PROVED FIELDS THE RISK OF THE UNSUCCESSFUL WELL IS HIGH, AND IN WILD CAT EXPLORATION THE RISK IS ASTRONOMICAL. IT IS NECESSARY THEREFORE TO ENSURE THAT PETROLEUM COMPANIES CONTINUE TO RUN THESE RISKS.

THE REASON THEY DO SO, OF COURSE, IS THE CHANCE, HOWEVER LONG A CHANCE, OF A SUBSTANTIALLY REWARD, THAT IS A GOOD MARKET AND PRICE FOR THEIR PRODUCT. INCENTIVES THEREFORE INCLUDE AN ASSURANCE CONCERNING MARKETS AND PRICES, SOME SHARING OF THE RISK BY WAY OF EXPLORATION SUBSIDY, AN ENCOURAGING TAX CLIMATE AND AN ENCOURAGING LEGISLATIVE AND TECHNICAL ASSISTANCE CLIMATE.

IN SO FAR AS THE STATE GOVERNMENT HAS JURISDICTION ON THESE MATTERS SUCH AS IT HAS IN THE FIELDS OF LEGISLATION AND IN BASIC TECHNICAL DATA AND BACK-UP, I BELIEVE WE IN THIS STATE ARE DOING OUR UTMOST. I WOULD LIKE TO SEE A SHOT IN THE ARM DELIVERED AT NATIONAL LEVEL, FOR THERE IS NO DOUBT THAT ON SHORE EXPLORATION IS LAGGING BADLY AT THIS TIME. THERE IS PERHAPS A TENDENCY TO SHELTER BEHIND THE SPECTACULAR DISCOVERIES AND HIGH EXPLORATION EXPENDITURE LEVELS ON THE NORTH WEST SHELF.

THE ROLE OF THIS FIELD IN OUR NATIONAL ENERGY POSITION REMAINS TO BE WORKED OUT, BUT IT DOES SERVE TO ILLUSTRATE A VERY SIGNIFICANT FACTOR IN THE ENERGY EQUATION, NAMELY THE DISTRIBUTION FACTOR. IT IS A RELATIVELY SIMPLE MATTER TO ADD TOGETHER OUR COAL, URANIUM AND PETROLEUM RESOURCES, BUT IF WE DEDUCE THEREFROM THAT WE HAVE NO ENERGY PROBLEMS WE ARE BEING VERY NAIVE INDEED. IN A SOMEWHAT SIMILAR EXERCISE THE WATER RESOURCES COUNCIL IS CURRENTLY ADDING UP THE SUMS WHICH INDICATE AUSTRALIA'S TOTAL WATER RESOURCES, WHICH WILL ALSO BE AN IMPRESSIVE FIGURE, BUT THIS DOES LITTLE TO HELP THOSE AREAS WHICH ARE PERPETUALLY DRY. THE IMPORTANCE OF A NATIONAL FUEL POLICY LIES IN PLANNING SO THAT RESOURCES ARE USED TO BEST LONG TERM ADVANTAGE, HAVING IN MIND GEOGRAPHY, POPULATION, EMPLOYMENT, POLLUTION, ETC. FOR EXAMPLE SOME FOSSIL ENERGY IS BEST BURNED, SUCH AS NON COKING COAL, OTHER IS BEST USED AS CHEMICAL FEED STOCK (IN SOME COUNTRIES NATURAL GAS IS RESERVED FOR THIS PURPOSE).

PERHAPS I HAVE SAID ENOUGH TO OUTLINE THE FACTORS WHICH SHOULD BE INVOLVED IN AN ENERGY POLICY IN THIS COUNTRY. SO FAR AS SOUTH AUSTRALIA IS CONCERNED IT IS GRATIFYING THAT WE HAVE ARRIVED AT THE STAGE AT WHICH WE ARE ABLE TO SUPPLY ENERGY TO OTHER STATES. YOU WILL RECALL THAT UNTIL THE DEVELOPMENT OF THE LEIGH CREEK FIELD WE DEPENDED ENTIRELY ON IMPORTED ENERGY. LEIGH CREEK REMAINS THE MAINSTAY, AND WILL DO SO FOR VERY MANY YEARS. BUT WE NOW HAVE THE ADDITIONAL FLEXIBILITY WHICH NATURAL GAS IS PROVIDING, AND THE EXPORT OF GAS TO NEW SOUTH WALES WILL ADD YET A NEW DIMENSION. I AM HOPEFUL TOO THAT THE COOPER BASIN WILL SOON PROVIDE BOTH OIL AND NATURAL GAS LIQUIDS AS AN ADDITIONAL INDUSTRIAL BONUS TO THIS STATE.

HOWEVER, GRATIFYING AS THIS IS, IT IS IMPERATIVE THAT NEW DISCOVERIES BE MADE. I CANNOT BELIEVE THAT THE COOPER BASIN IS

THE ONLY PETROLEUM PROVINCE IN THIS VAST STATE. NATIONAL POLICIES MUST BE DEvised WHICH ENSURE THAT THE SEARCH GOES ON WITH EVER INCREASING TEMPO.

AS I MENTIONED ABOVE, OUR PRESENT TOTAL OIL RESERVES AMOUNT TO 2,000 MILLION BARRELS (2 BILLION). IT IS ESTIMATED THAT WE NEED TO DISCOVER A FURTHER 7 BILLION BARRELS TO MEET REQUIREMENTS OVER THE NEXT TWENTY FIVE YEARS, AND THAT THIS EXPLORATION WILL COST BETWEEN 2 BILLION AND 4 BILLION DOLLARS, AND FURTHERMORE BECAUSE OF THE LONG TIME LAG BETWEEN DISCOVERY AND PRODUCTION, A LARGE PART OF THIS MONEY SHOULD BE SPENT DURING THE NEXT FIVE YEARS. WHAT INFLUENCE THE NORTH WEST SHELF HAS ON THESE FIGURES NO-ONE CAN YET SAY, ALTHOUGH THERE HAVE BEEN RECENT WILD GUESSES AT RESERVES IN THIS AREA. AT BEST THE NORTH WEST SHELF COULD PERHAPS DOUBLE OR EVEN TREBLE PRESENT OIL RESERVES AND THE EFFECT WOULD BE TO FEND OFF THE PRESENT CRISIS

FOR PERHAPS A DECADE, BUT ALTERNATIVELY, AND MORE SENSIBLY, THIS WOULD PERMIT US TO SCHEDULE OUR EXPLORATION PROGRAMME OVER A MORE REALISTIC SPAN.

IN SUMMARY, LADIES AND GENTLEMEN, HOWEVER ONE READS THE SIGNS, THE PETROLEUM INDUSTRY IS IN FOR A TORRID TEN YEARS IN TERMS OF DEMAND ON ITS RESOURCES. IT IS CLEARLY NECESSARY FOR GOVERNMENTS TO DEVISE SCIENCE AND TECHNOLOGY POLICIES WHICH TAKE THE PRESSURE OFF PETROLEUM CONSUMPTION AND SIMULTANECUSLY PROVIDE URGENT EXPLORATION INCENTIVES.

THANK YOU.